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FIRST COUNTRY COOPERATION FRAMEWORK FOR BOLIVIA (1998-2002)

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INTRODUCTION

1. In responding to national development efforts, UNDP is promoting an approach that focuses on investment in people, participation by people and equity for people, and that is sustainable environmentally, economically, socially, politically and inter-generationally. Within this overarching concept of sustainable human development (SHD), UNDP responds to national priorities in a wide range of development fields. The overall objective is the reduction of poverty, with its ultimate elimination as the goal. In a country such as Bolivia, with an estimated two thirds to three quarters of the population living in poverty, this becomes particularly relevant. Naturally the task of maximizing economic growth in tandem with social investment and equity is extremely complex, and it is necessary to focus efforts on particular aspects in order to enhance their effectiveness.

2. The fifth country programme for Bolivia was scheduled to end in December 1996, with the first country cooperation framework (CCF) scheduled for submission to the Executive Board in 1997. However, presidential elections were held in June 1997, and a new Government took office on 6 August 1997. As a result, the Administration found it necessary to extend the fifth country programme to cover the year 1997, during which period UNDP worked with the new Government in the preparation of the present CCF, which covers the years 1998-2002. The Administration wishes to bring this to the attention of the Executive Board at its current session.

I. DEVELOPMENT SITUATION FROM A SUSTAINABLE HUMAN DEVELOPMENT PERSPECTIVE

3. Bolivia is a landlocked country, with a land area of 1,100,000 km^2 comprising three regions, the Altiplano, the Valles and the Llanos. It is a multi-ethnic country, with a population of approximately 6.5 million. Despite a sustained and significant increase in human development indicators over the past 40 years, Bolivia, with a human development index (HDI) rank of 113 out of 175 countries in the Human Development Report 1997, remains among the poorest countries in South America, and contains regions with HDIs comparable to those of countries in sub-Saharan Africa. In order to ensure a sustained increase in HDI levels, it will be necessary for Bolivia to achieve economic growth with equity.

4. Bolivia has an extremely high incidence of poverty. Its HDI value, at 0.589, does not come close to the regional average of over 0.7. It is estimated that 70 per cent of the country's population, or some 4 million people, live in conditions of poverty. The majority of those living in poverty are members of indigenous groups, women, and those who live in rural areas. In rural areas, 94 per cent of households live in poverty, as opposed to 51.1 per cent of households in urban areas. There are also significant differences between regions (departments) within Bolivia, with a particularly marked East-West divide.

5. The Popular Participation Law is the first Bolivian law that recognizes, promotes and institutionalizes participation processes at the local level. Its main objective is to improve the quality of life of men and women through a more equitable distribution of public resources and decision-making authority. Another result expected from the implementation of this law is higher levels of gender equality, a concept that previously had been addressed only as part of a very limited strategic vision that focused on giving women better access to education and health.

6. Economic performance in the 1990s has been encouraging. Gross domestic product (GDP) growth averaged close to 4 per cent over the period 1990-1996. Although starting from a low base, private investment grew by 15 per cent in 1991 and has grown by about 10 per cent a year since then. The current account deficit has had a variable performance, deteriorating in 1993 to 8.8 per cent of GDP, improving in 1994 to about 4 per cent of GDP, and deteriorating again in 1995 to about 6.3 per cent of GDP. In general, Bolivia has been successful in maintaining price stability, hovering between a high of 18 per cent inflation in 1990 and a low of 7.9 per cent in 1996. Despite these encouraging trends, per capita income is low ($800 in 1995), the population's educational level is limited, and health indicators remain among the worst in Latin America, notwithstanding some recent improvements.

7. The Government's medium-term strategy aims to accelerate GDP growth, maintain price stability and alleviate poverty. However, for this to happen, private investment would have to rise from 6 per cent of GDP in 1995 to 12 per cent by the year 2000, financed by higher domestic savings, increased private capital inflows and continued donor assistance. If current trends in private investment and domestic savings continue, or even improve only slightly, the goal is unattainable. One potentially important source of growth in private investment lies in what is currently termed the informal sector.

8. Despite some important advances in governance in Bolivia since 1982, the Bolivian political system is experiencing a legitimacy crisis wherein the citizenry has exhibited a profound lack of confidence in the country's political parties and institutions. According to a recent survey, only 4 per cent of Bolivians feel that their opinions are represented by their parties, while 70 per cent feel that their opinions count for nothing in the decision-making process. The same survey indicates that 65 per cent of the population consider that in order for the situation to improve, the political system has to change. A further element in the legitimacy crisis is a concern with corruption. Lastly, the prevailing opinion among those surveyed is that a great deal of the governance problem stems from poor administration. The lack of an effective and responsive public sector seems to be generating problems of institutional legitimacy. Institutions in the public sector perform poorly in terms of efficiency and inter-institutional coordination, frequently resulting in serious problems in the implementation of policies.

9. One of the foremost opportunities for Bolivia's economic growth is the use of its rich natural resources. However, this richness is being threatened by non-sustainable patterns of land and forest use, and the pollution of water and soil through mining activities and unplanned urban expansion, among other things. Between 1981 and 1990 deforestation grew by 54,250 hectares per year.

Nearly 60 per cent of the total territory susceptible to erosion (41 per cent of the country) shows significant increases in desertification.

10. To improve this situation, in 1992, the Government passed an environment law that regulates activities that threaten the environment. Even though environmental impact studies have been carried out for a high percentage of new investment projects, less than 5 per cent of economic activities comply with current environmental legislation.

11. Bolivia is the world's third largest producer of illicit coca leaf and second largest producer of refined cocaine. The high incidence of coca planting is a natural result of the remunerative nature of the crop. Given the high rates of poverty in the country, this makes coca leaf a very attractive alternative to more vulnerable crops. The newly installed Government has already initiated negotiations with the coca growers to arrive at agreed reduction targets of coca plantations. However, the root issue of poverty will have to be addressed in a significant way before reductions are not simply temporary. Needless to say, the problem will remain as long as such an overwhelming demand exists.

II. RESULTS AND LESSONS OF PAST COOPERATION

12. During the fifth cycle UNDP implemented projects for a total amount of $94.7 million, $15 million of which were from indicative planning figure resources, and $79.7 million of which were from cost-sharing and UNDP-administered funds (the United Nations Capital Development Fund, the Global Environment Facility (GEF), the United Nations Development Fund for Women). Of the total amount of resources for the programme, almost 50 per cent were allocated to human development programmes and 41 per cent were allocated to State reforms. The remainder of the resources were distributed among economic and sustainable development projects and programmes.

13. In discussion with the Government, it was determined that UNDP would concentrate its development cooperation in five strategic areas, using the programme approach as an instrument to minimize the duplication and scattering of resources and efforts. Accordingly, the fifth country programme focused on the following areas of concentration: (a) the consolidation of the economic stabilization process and the intensification of structural reforms; (b) economic recovery, in terms of increased output and exports; (c) improved quality of life and higher income levels, reflected in a quantifiable increase in Bolivia's HDI; (d) the rational use of natural resources, sustainable development planning, and environmental protection; (e) the enhancement and expansion of alternative development initiatives.

14. During the mid-term review of the fifth country programme, which took place in May 1994, two areas of concentration were identified as strategic for UNDP support during the rest of the cycle: sustainable human development (SHD) and governance. Enhancement and expansion of alternative development initiatives was removed as an area of focus.

15. UNDP resources during the fifth cycle were used as seed funds for the design of national programmes and strategies; the monitoring and evaluation of programmes at the macro level; and the strengthening of national capacities through the national execution modality, which was used extensively in the implementation of the fifth cycle programme.

16. Initially considered a non-traditional area of support, the neutrality of UNDP constituted a comparative advantage that enabled the formulation, with the participation of civil society and the Government, of the National Governance Programme. Currently financed by other donors (mainly the Inter-American Development Bank, with a contribution of $12 million), the Programme aims at improving the efficiency and legitimacy of the decision-making processes of the main actors of Bolivian society.

17. Several national SHD-related programmes were formulated during the fifth cycle, namely, a water supply and sanitation programme (co-financed by the World Bank); an indigenous peoples programme; and a programme for the sustainable development of the Chaco region. Last year, in cooperation with the Ministry of Economic Development, UNDP formulated a programme designed to alleviate poverty through the economic reactivation of depressed areas (mainly mining regions) in the western part of the country.

18. UNDP has supported rural development through specific projects (e.g., the Mink'a Potosí agriculture development project and the Jalq'a textile production project), which had an important impact on production and on women's participation in economic activities. Work with grass-roots and non-governmental organizations (NGOs) has been addressed through the Partners in Development Programme, which has supported the popular participation process, and the GEF Small Grants Programme.

19. At the Government's request, UNDP assisted in the implementation of the reform of the education system, a major investment in human development. In terms of SHD planning, a national Agenda 21 was prepared, based on regional Agendas, one for each department of the country. The national Agenda 21 provided inputs for Bolivia's participation in the Summit of the Americas on Sustainable Development.

20. Three human development reports were prepared with UNDP support, one at the regional level in Cochabamba, and two at the municipal level, in La Paz and Santa Cruz. UNDP has also supported postgraduate courses in human development in universities in La Paz and Cochabamba. As part of the advocacy work undertaken during the fifth cycle, UNDP published a bimonthly human development review entitled "Claves", which was distributed among a variety of institutions in the country, as well as to its 311 municipalities. Another important area of advocacy was the Governance and Human Development Forum, a project executed by the Vice-President's office.

21. The various initiatives undertaken during the fifth cycle enabled UNDP to assume a leading role, not only in its dialogue with the Government, but also with different groups from Bolivian society, in critical SHD areas. Programmes and projects executed during the fifth cycle not only responded to government development priorities, but also contributed to the resolution of certain

structural problems. For example, UNDP was the first multilateral organization to discuss the issue of governance and to promote the participation of indigenous groups of the lowlands region in the development process of the country. Furthermore, important efforts were made in support of rural populations in productive activities, an area of work that will continue to be a priority for UNDP in the coming years. UNDP was able to introduce the issue of SHD into universities, the media and other institutions of Bolivian society (e.g., the army). These activities will also be given priority, since SHD advocacy is a critical mechanism for the construction of a long-term development agenda for the country.

22. Some important lessons learned during the fifth cycle are summarized below:

(a) During the implementation of the fifth cycle programme, the Government often requested UNDP assistance in the management of development processes. The experience of the last six years has been crucial to the identification of those areas in project and programme management where UNDP can provide strategic support in order to accelerate and inject transparency to implementation;

(b) National execution has had positive results during the fifth cycle (nearly 90 per cent of programmes and projects are nationally executed). However, the modality must be adjusted to avoid unnecessary bottlenecks that impede effective implementation. For the most part, these bottlenecks centre around specific UNDP national execution administrative procedures, whose fulfilment does not add significantly to national capacities, but which, on the contrary, detract from the capacity of counterpart institutions to undertake managerial and substantive work. These tasks can be undertaken with UNDP support without changing the rationale and concept of national execution (where Government retains control and authority over decisions and technical guidance of projects);

(c) In order to respond to the Government's requirements in a more efficient way and with higher quality inputs, the country office has initiated an internal restructuring process. Towards this end, the programme section has been reorganized into thematic clusters, which allow for greater specialization and analytical capacity. The administration section has also undergone changes in order to improve efficiency levels;

(d) A review of the programme implemented during the fifth cycle shows that although important efforts have been made to apply the programme approach methodology, there are still quite a number of small projects whose impact is hard to measure, and the scattering of projects persists. There is a need to reorient the utilization of target for resource assignment from the core (TRAC) resources towards high-impact programmes. For this purpose, it will be necessary to identify, together with the Government, a few critical (strategic) areas where UNDP intervention will add value to SHD;

(e) It is important to establish a clear prioritization of objectives and measurable results in strategic areas of intervention, as well as mechanisms to measure impact through verifiable indicators at all stages of the project cycle. This is critical in order to effectively monitor programme implementation, as

well as to evaluate the degree to which project objectives are being or have been reached.

III. PROPOSED STRATEGY AND THEMATIC AREAS

23. A broad range of consultations were undertaken with a wide spectrum of actors (government, donor, civil society representatives, etc.) in the course of the preparation of the UNDP advisory note and the CCF. In addition, the Government has initiated a national dialogue where representatives of political parties, civil society organizations and members of the Government's cabinet were invited to discuss the main challenges and strategies for the development agenda of the coming years. Discussions were based on concept papers prepared by independent consultants in four strategic areas: opportunity (mainly related to employment and income generation); equity (poverty reduction); dignity (drug control); and institutionality (justice system and public sector capacity-building). Many of the conclusions have been incorporated into the Government's development plan. The main points of consensus reached during these discussions have been incorporated into the strategies for the areas of intervention selected for the CCF.

24. The fundamental goal for the next five years will be the reduction of poverty levels in the country. In this sense, the strategy for cooperation under the CCF focuses on three of the four "pillars" of the Government's development plan, which constitute components of its effort to reduce poverty: first, the root cause of poverty (what the Government's development plan has labelled opportunity), related to income and resources; second, the various manifestations of poverty in terms of health, education, etc., which falls under the heading of equity in the Government's plan; and last, the need to strengthen the capacity of institutions, which are the means for the delivery of services for poverty eradication, in terms of efficiency and public participation and representation.

25. It should be noted that UNDP support will fall broadly under the category of support to public administration and management of social investment, whether at the central, departmental or municipal levels. In addition, UNDP will continue to work in the area of advocacy in the thematic areas described below, and to assist the Government in the coordination of external assistance.

A. Opportunity: environment and sustainable livelihoods

26. When addressing the issue of investment, it is imperative to keep sustainability very much in mind. Within this field, three specific issues are important in the Bolivian context. The first is the need to use natural resources (forest, land, water, etc.) appropriately, which, in terms of agriculture, could also point to the establishment of protected areas, for example, and to foster the development and use of new products (use of biodiversity) appropriate for emerging markets (green or certified markets).

27. The second important issue is the use of vegetable biomass for energy, both domestic and industrial. This is one of the principal causes of erosion and

land loss in Bolivia. In view of this fact, it is necessary to consider various options for more effective energy use, such as the more efficient use of vegetable fuels. However, it would also be possible, as well as desirable, to explore a gradual reconversion towards alternative sources of energy (micro-hydro, photovoltaic, etc.). A project in this area has already been formulated and submitted to GEF for approval.

28. The third important issue to monitor is contamination of the environment. In recent years, a number of episodes of heavy pollution have come to light. For example, although at one stage Lake Poopó was the body of water that produced the most fish in Bolivia, due to a gradual process of contamination, the lake is now biologically dead. The development of policies and the improvement of public awareness on the subject is a basic necessity. A number of initiatives in this area are currently being formulated and will constitute an important part of UNDP interventions during the period covered by the CCF.

29. Another important contributing factor for economic growth is an increase in domestic savings, which, at the moment, is extremely low in Bolivia. While there are a number of activities that might help to stimulate domestic savings, UNDP will concentrate on micro-, small- and medium-scale enterprises, which have a tremendous growth potential. In this area, three specific issues will require attention. First, and of fundamental importance, is the issue of access to credit in rural areas. Second is the issue of technology. While UNDP is not a provider of capital, it will be important to provide small- and medium-scale enterprises with information, training and access to technology. Third, and perhaps most appropriate for UNDP support, is organization. One of the principal barriers to the creation of micro-enterprises is the lack of capacity for organization and planning, vital to the survival of any enterprise. Technical assistance in furtherance of activities in the above-mentioned areas will help to provide the basis for sustainable enterprise creation.

30. In addition, UNDP will assist efforts to maintain economic stability through support for the Government's work in the administration of pensions and in the improvement of tax administration.

B. Equity: social sectors, excluded groups and local development

31. Aside from income, there are a number of other indicators of poverty, including in the areas of education, health and housing and access to water supply and sanitation services. Because of its defining characteristics, UNDP can best be of use in two particular areas - policy definition and support in implementation. In education and health, Bolivia either has instituted or is in the process of defining reforms of the sectors. UNDP will assist the Government in the implementation of education reforms and the formulation of health policies. Some important initiatives in the water supply and sanitation sector are currently under way and will continue to be a priority for UNDP intervention. UNDP support in the housing sector is yet to be determined.

32. The Government has indicated an interest in receiving assistance from UNDP in designing an appropriate mechanism for the monitoring of progress in poverty

alleviation. UNDP is already working with the Government on the improvement of social statistics. Similarly, national human development reports will serve a useful monitoring function. UNDP will also cooperate with the Government in the planning and implementation of the next national census scheduled for the year 2000.

33. Poverty, as mentioned above, hits certain segments of the population hardest, for example, women and indigenous populations. UNDP will ensure that the bulk of the projects and programmes approved under the present CCF target the most excluded groups. Two other segments of the population that also hold a disproportionate share of the poor are those living in rural areas and the population of the depressed western part of the country. A programme that targets one of the priority populations through an attempt to integrate economic, social and environmental policies will remain of high priority in the coming years. In order to ensure that UNDP reaches the more marginalized populations, it will also be important to work more at the municipal level, and to ensure synergies with ongoing United Nations or other donor programmes in the area.

C. Institutionality: efficiency, participation and legal frameworks

34. The most important factor in poverty alleviation is the delivery of the social and financial services described above. Those services are delivered through a series of institutions, most of them State institutions. There are several issues that need to be addressed in order to make service delivery through institutions more effective. The first thing that needs to be addressed is the efficacy of the State apparatus, especially in terms of functionality and the need for broader representation within institutions of Bolivia's diverse ethnic and cultural groups. There is a strong perception among the citizenry that the State does not carry out its governance functions effectively. UNDP will assist the Government in non-sector-specific areas to enhance its effectiveness, for example, in developing and refining mechanisms for inter-institutional coordination, monitoring and supervision and impact measurement. UNDP will also provide support in policy development and in the administration and management of government policies and programmes.

35. It is imperative to try to build a more efficient State system in the areas of administration and implementation, with a strong emphasis on results. This also needs to be examined within the context of recent changes in the administrative structure of the State. Popular Participation and Administrative Decentralization Laws have created two new levels of government, municipal and departmental, in which much capacity-building needs to be done, particularly at the municipal level, which never previously had any planning or development responsibilities. The Popular Participation Law is designed to provide mechanisms for representative democracy, as well as adequate health and education infrastructures for all. Without adequate strengthening of these new institutions the important effort towards local democracy and decentralization will not bear fruit.

36. In order to ensure that the necessary coordination is institutionalized between the various government agencies it will be essential to build the skills of middle-level management, so that these institutions will be able to fulfil their mandates effectively. This has direct implications for the civil service system, which, when functioning well, can help to ensure the internalization of a culture that favours the effective delivery of services over political careerism.

37. Similarly, much work still needs to be done in enhancing representation to ensure that the system reflects the needs of the population in a transparent fashion. While it is necessary to have a more efficient system to implement programmes that will help alleviate poverty, it is equally important to work in parallel on instituting mechanisms that will build communications links between the various segments of Bolivian society. UNDP recently supported the Government in the holding of a national dialogue, an event that brought a wide range of government and civil society representatives together to discuss national policies for the coming years. UNDP will continue to provide support for this type of consultation, and in particular will support the institutionalization of this important mechanism for the collection and processing of societal demand.

38. Another point of considerable concern is the issue of corruption, which is strongly linked to judicial reform. Bolivia has made a strong beginning in instituting a modern legal framework, but there is a lack of institutional capacity for the enforcement of regulations. Similarly, a thorough review needs to be made of available mechanisms to limit corruption and gaps in the institutional framework. The Government has already approached UNDP for assistance in developing and implementing a programme to combat corruption.

39. The last few years have seen the beginning of what promises to be a thorough reform of the judicial system. A sound legal framework is an essential underpinning to economic growth that will ensure investor confidence. It is also essential as a regulatory framework for the delivery of social and financial services, in order to ensure the sustainable use of resources and as a means of minimizing corruption. Important areas in the field of judiciary reforms will be addressed through the implementation of a human rights programme. This includes institution-strengthening to the Ministry of Justice so as to improve its capacity to implement and enforce legal instruments, and training of a variety of institutions.

IV. MANAGEMENT ARRANGEMENTS

40. The mandate of UNDP is to implement projects and programmes through the national execution mechanism as much as possible, a priority shared by the Government of Bolivia. As at the end of 1996, 90 per cent of UNDP-managed projects were nationally executed. National execution is viewed as a means for national capacity-building to strengthen functions that further the delivery of services to the population - not assuming the burden of learning and complying with a series of different donor administrative procedures, which rather diminishes the time and effort that a State institution can devote to those functions within its mandate. Wherever possible, therefore, and always within

the national execution mechanism, UNDP will assume those tasks which pertain to the purely administrative requirements of the financing institution, whether this be UNDP itself or another agency. The assistance of United Nations system agencies will be sought for technical support where necessary, in the role of cooperating agency or as implementing agency for specific components within their area of expertise.

41. The Government will continue to be the main partner of UNDP. However, a number of other actors also have important functions in development, principal among them, organizations of civil society, but also more and more certain actors within the private sector. UNDP will work closely with a wide range of partners in its efforts to help the Government achieve its development objectives.

42. The UNDP country office views its role as a provider of development services that will help the country to reach a higher level of human development. In order to do this, it must be capable of providing rapid and adequate responses to specific needs. This implies first being able to identify those needs, and second being able to provide an effective and efficient response. Identifying needs in turn implies that UNDP must have an analytical capability, as well as a close relationship with government institutions.

43. Discussions have been held with the Government regarding the importance of monitoring progress in SHD. Towards this end, two major steps have already been taken: (a) the national human development report and the indicators developed therein will serve as a baseline to evaluate progress in poverty eradication; and (b) UNDP has entered into a working alliance with the National Statistical Institute and the Economic and Social Policy Analysis Unit to improve and monitor statistics (in particular social sector statistics, which until now have been to some extent neglected). The first CCF will be monitored and evaluated using these indicators.

44. Annual reviews of the CCF with the relevant government departments will monitor implementation and ensure that the CCF continues to be relevant to national priorities. A mid-term review involving a broad spectrum of development partners will be conducted during the first half of 1999 to ensure that the programme remains relevant to development needs and that the modalities used are appropriate. The mid-term review will also review the focus of assistance for future years.

45. As part of the UNDP strategy to improve monitoring of impact, performance indicators will be established for both policy and operational level interventions. Quantitative and qualitative indicators will be defined in consultation with relevant development partners, including national implementing agencies and other United Nations agencies, among others.

Annex

RESOURCE MOBILIZATION TARGET TABLE FOR BOLIVIA (1998-2002)

(In thousands of United States dollars)

Source	Amount	Comments
UNDP CORE FUNDS		
Estimated carryover	(674)	
TRAC 1.1.1	5 432	Assigned immediately to country.
TRAC 1.1.2	0 to 66.7 per cent of TRAC 1.1.1	This range of percentages is presented for initial planning purposes only. The actual assignment will depend on the availability of high-quality programmes. Any increase in the range of percentages would also be subject to availability of resources.
Other resources	52	Special Programme Resources
SPPD/STS	380	
Subtotal	5 190 a/	
NON-CORE FUNDS		
Government cost-sharing	86 060	
Sustainable development funds	12 787 of which:	
Global Environment Facility	12 130	
Capacity 21	511	
Montreal Protocol	146	
Third-party cost-sharing	13 940	
Funds, trust funds and other	1 571	UNCDF
Subtotal	114 358	
GRAND TOTAL	119 548 a/	

a/ Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.

Abbreviations: SPPD = support for policy and programme development; STS = support for technical services; TRAC = target for resource assignment from the core; and UNCDF = United Nations Capital Development Fund.